

## Function 400: Transportation

Function 400 is comprised mostly of the programs administered by the Department of Transportation (DOT), including programs for highways, mass transit, aviation, and maritime activities. The function also includes several small transportation-related agencies and the civilian aviation research program of the National Aeronautics and Space Administration (NASA).

### Budget Summary

For 2003, the House Republican budget provides \$58.2 billion in appropriated budgetary resources (budget authority plus obligation limitations).<sup>15</sup> This funding level is \$1.7 billion (2.9 percent) lower than the 2002 enacted level of \$59.9 billion. This overall decrease for 2003 reflects a cut of \$4.2 billion in federal aid for highways combined with an increase of \$2.5 billion for other transportation programs. Agencies receiving significant increases include the Coast Guard and the new Transportation Security Administration. Compared to the President's budget, the House Republican budget provides \$4.4 billion more in budgetary resources for 2003.<sup>16</sup> This additional funding is for the federal-aid highways program, although it still leaves the program \$4.2 billion below last year's enacted level.

### Budget Details

- ***President Proposes Drastic Cut to Federal Highway Aid*** — The President's budget cuts 2003 federal-aid highway funding to \$23.2 billion, a cut of \$8.6 billion (27.0 percent) from the 2002 enacted level of \$31.8 billion. This dramatic cut in 2003 highway funding is consistent with provisions in the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) that links highway funding levels with actual and expected highway excise tax collections. The cut results from lower-than-expected gas tax collections in 2001 and a downward revision in projected collections for 2003.<sup>17</sup> Such a dramatic decline in federal aid would

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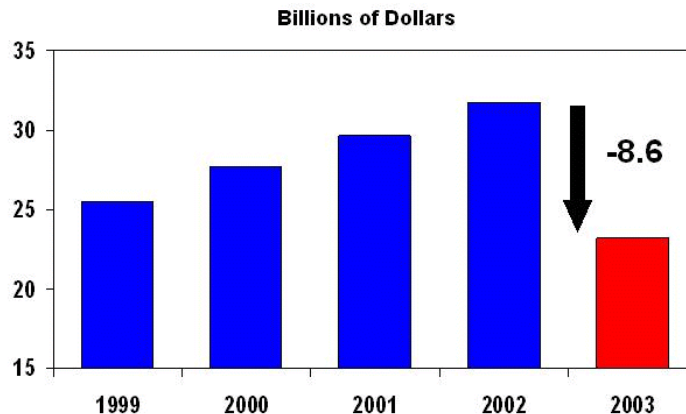
<sup>15</sup> Some DOT programs are funded with traditional appropriations. However, highway programs, most mass transit programs, and the Federal Aviation Administration's airport improvement grants are usually funded with mandatory contract authority. The Appropriations Committees constrain the use of this mandatory contract authority by setting obligation limitations. Outlays resulting from the obligation limitations are counted as discretionary outlays.

<sup>16</sup> The President's budget displays an additional \$853 million in appropriations for this function for 2003 to account for the full cost of accruing all pensions, retired pay, and retiree health benefits for federal civilian employees. This amount reflects only an accounting change and does not represent a programmatic increase. See *Appropriated Programs* and *Creative Accounting* for further information.

<sup>17</sup> The President's original budget shows a \$9.2 billion (28.9 percent) cut from the 2002 enacted level. However, shortly after the budget's release, the Treasury Department disclosed that it had made a mathematical error when calculating the amount of tax revenue to credit to the highway trust fund for 2003. Because of this mistake, the cut to federal highway aid in the President's original budget was \$596

force states to abandon or postpone many highway projects and result in the loss of thousands of highway construction jobs while the nation is still recovering from a recession. The President's budget makes no attempt to remedy this steep drop called for under the provisions of TEA-21.

## President's Budget: \$8.6 Billion Cut to Highway Aid



- House Republicans Partially Reverse President's Cut to Highway Aid*** — The House Republican budget partially reverses the President's cut to the federal-aid highway program by providing an additional \$4.4 billion for 2003. This restoration is intended to undo the cut called for under TEA-21 because of the decline in highway tax revenues and to bring funding for the federal-aid highway program back to the 2003 authorized level in TEA-21.

### Federal-Aid Highway Funding under TEA-21 (billions of dollars)

	2000	2001	2002	2003*
TEA-21 Authorization Level	26.2	26.6	27.3	27.6
RABA Adjustment	+1.5	+3.1	+4.5	-4.4
Final Funding Level	27.7	29.7	31.8	23.2
<i>Change from Previous Year</i>		+2.0	+2.1	-8.6

\* represents the President's budget proposal

million too big. On March 14, the Administration submitted an amendment to the budget that reduces the \$9.2 billion cut to \$8.6 billion.

- ***Republicans Rebuff Democratic Attempt to Do More for Highways*** — During the Budget Committee mark-up of the budget resolution, Democrats offered an amendment to add \$1.3 billion more for federal-aid highways for 2003. Republicans opposed the amendment, and it was rejected on a party-line vote.
- ***New Transportation Security Administration*** — The Aviation and Transportation Security Act, signed by the President last November, established a new Transportation Security Administration (TSA) in the Department of Transportation (DOT), which took over responsibility for aviation security from the Federal Aviation Administration. In order to help fund TSA's activities, the law authorizes a new passenger fee (capped at \$5 per one-way ticket) and security fees on air carriers. Like the President's budget, the House Republican budget reflects estimated collections of \$2.2 billion from these fees. These collections only partially cover the \$4.8 billion the budgets provide for TSA. Recently, the DOT's Inspector General testified that this amount would not be enough to enable TSA to meet its capital and operating costs for the year.
- ***Coast Guard*** — Both the President's budget and the House Republican budget provide \$7.1 billion for the Coast Guard, a \$1.6 billion increase from the 2002 enacted level. The budgets claim that this is the largest increase in the Coast Guard's history. However, nearly half of this increase is for a \$736 million lump-sum payment to a new Coast Guard military retirement fund.<sup>18</sup> Without this payment, the increase for 2003 is \$836 million (15.0 percent). Of this remaining amount, \$92 million is an increase for capital costs and the rest is for the increased cost of operations in the post-September 11 environment.
- ***Amtrak*** — Like the President's budget, the House Republican budget provides \$521 million in capital funding for Amtrak for 2003, which is \$100 million less than the 2002 enacted level of \$621 million. The 2002 total includes \$100 million in supplemental appropriations for post-September 11 security work on Amtrak rail tunnels in New York City.

Amtrak announced recently that the amount in the Republican budgets falls well short of what it will need to continue its current services. The rail service announced that it will ask Congress for \$1.2 billion in 2003 appropriations for basic needs to manage and operate its rail system, including \$840 million for capital investment, \$160 million for railroad retirement taxes, and \$200 million to support unprofitable long-distance train service. Amtrak also indicated that an appropriation below this level will require the rail service to eliminate unprofitable long-distance service as early as October 1, 2002.

- ***Maritime Administration*** — Like the President's budget, the House Republican budget eliminates funding for new loan guarantees under the Maritime Guaranteed Loan (Title XI)

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<sup>18</sup> See *Appropriated Programs and Creative Accounting* for more discussion of the President's accrual proposals.

Program. This program guarantees loans for purchases from the U.S. shipbuilding industry and for shipyard modernization. Last year, Congress ignored a similar request from the President and provided \$37 million for the program. For 2003, the House Republican budget provides \$4 million, enough to cover only the cost of administering pre-existing guarantees.